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S E C R E T SECTION 01 OF 02 IRAN RPO DUBAI 000005

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TREASURY FOR HECHT

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TAGS: [ECON](#) [EFIN](#) [PGOV](#) [IR](#)

SUBJECT: IRAN-UAE: TWO-WAY INVESTMENT (C-TN7-00045)

REF: 2006 DUBAI 6919

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CLASSIFIED BY: Jillian Burns, Director, Iran Regional Presence  
Office - Dubai, Department of State.  
REASON: 1.4 (d)

1.(S) Summary. IRPoffs met February 12 with an Iranian/US Legal Permanent Resident (LPR) who has business interests in Dubai. According to the single source, Rafsanjani recently purchased 2 billion USD worth of property near Dubai's Festival City, through his brother-in-law Marashi. The contact noted that while international pressure on Iranian banks has limited formal trade and investment between the UAE and Iran, the "informal market" is booming. He claimed one neighborhood in Dubai is "full of money exchangers" and that it is easy to find unregistered hawalas; a traditional network of brokers who transfer money outside of recognized banking channels. The contact claimed that at least 50 percent if not up to 70 percent of the new Business Bay district in Dubai is owned by Iranians and that 30 percent of the rapidly expanding luxury housing and shopping projects in Dubai Marina are Iranian investments. Regarding reverse investment in Iran, an Iranian-born, Emirati banker claimed to IRPoffs February 11 that while the UAE government is not investing in Iran, private Emirati citizens are doing so, citing sugar and retail investments, as well as hospitals and real estate markets. While none of these deals likely run afoul of current US and UN regulations, it would appear that the current international face-off with Iran has not stopped UAE investment there. End Summary

Iranian investment in UAE  
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2.(S) IRPOoffs discussed Iranian investment in Dubai February 12 with an Iranian/US LPR businessman based in Dubai. The contact has been a Consulate Dubai contact for several years. Although he frequently travels to Iran, he openly calls for regime change in his meetings with US officials. According to the single-source, Expediency Council chair Rafsanjani recently spent 2 billion USD on property near Festival City in Dubai, a new shopping and resort district under construction on the north side of Dubai's creek. The purchase was reportedly made through his sister's husband, Hossain Marashi. According to the contact, Iranians own "at least 50 percent if not up to 70 percent" of Business Bay -- a business, commercial and residential free zone under construction -- and 30 percent of

the rapidly expanding luxury housing and shopping projects in Dubai Marina. Conversely, a Tehran-based businessman claimed that investment in Dubai from Iran is waning in favor of Kazakhstan and Bulgaria.

3.(S) The Iranian/US LPR asserted that while formal trade and investment ties with Iran and the international community are under strain due to recent actions by the US and the UN, the "informal market" between the UAE and Iran is booming. The contact claimed the Arbift building in the Deira area of Dubai houses a number of Iranian businesses and many "money exchanges." Turning to hawalas, the businessman stated, "I could take you by the hand and bring you to a shop that sells automobile belts in Nasser Square." (Note: also known as Baniyas Square and is located in Deira at the junction of Baniyas and Maktoum Streets. Endnote). "Behind the shop front, there is a back room where yahoo instant messenger sends constant updates about money exchanges to be made." The contact also noted that cash is often carried via suitcase into Dubai. According to the single source, Dubai customs will simply prepare a receipt noting how much cash a person claims to be carrying carried in (Note. Officially, any amounts above 10,000 USD must be claimed. Endnote) Although reputation-conscious financial institutions in Dubai may not accept large cash deposits hand carried into the country, he claimed "many" institutions and individuals will.

UAE investment in Iran  
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4.(S) In a meeting with an Iranian-born, Emirati banker February 11 IRPOffs were told that while the UAE government is not investing in Iran, private Emirati citizens are "quietly" doing so. The banker said that the Al FuttQ family plans to build 50 stores of the French grocery chain Carrefour, for which they own the local franchise, throughout Iran - and that two are currently under way. The Emirati banker also noted that an unspecified local sugar magnate (believed to be Jebel Ali-based Al Khaleej Sugar owned by Jamal Majed Al Ghurair) invests quite

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heavily in Iran's sugar market. Furthermore, said the source, Emiratis are investing in real estate and hospitals across Iran.

A separate source who works with a company linked to the Dubai government said the old local Iranian families are investing in Iran, also citing the Al Futtaim family. This source also said there was investment from Ras al Khaimah into Iran. He said his office was considering a development deal in Iran but doubted they would do it. He was arguing against doing it, saying no one makes any money there.

5.(S) Comment. It is difficult to obtain a true picture of Iranian investments in Dubai because of the informal nature of many of the investments and the anecdotal/poor quality of the data. Additionally, if all rumors were to be believed regarding Rafsanjani's investments in Dubai, he would rival the ruler in the amount of property held. The Banker's remarks about the UAEG not investing in Iran track with what we have heard about large Emirate level government investors, such as ADIA. Up till now, we had heard rumors of UAE private sector investments in Iran but few details. While these reverse investments may not run afoul of current US or UN sanctions, they are worth tracking. We have previously raised concerns about the potential of UAE private sector investments tied to the Iranian hydrocarbon sector (i.e., Dana Gas see reftel) and warned about the potential for misuse of the UAE financial system by Iran. Although the UAE government might say that these particular private investment are out of their direct control, it might be useful to raise them as areas of concern as we develop more substantial information. End Comment.

BURNS